

## Corporate Credit Rating

New  Update

**Sector:** Electrical Equipment

Industry

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RATINGS		Long Term	Short Term
<b>ICRs (Issuer Credit Rating Profile)</b>	<b>National ICR</b>	<b>BBB+ (tr)</b>	<b>J2 (tr)</b>
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
<b>ISRs (Issue Specific Rating Profile)</b>	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
<b>Sovereign*</b>	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 10, 2024

## EMEK ELEKTRİK ENDÜSTRİSİ A.Ş.

JCR Eurasia Rating, has evaluated "Emek Elektrik Endüstrisi A.Ş." in the investment grade category and assigned the Long-Term National Issuer Credit Rating as 'BBB+ (tr)' and the Short-Term National Issuer Credit Rating as 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

**Emek Elektrik Endüstrisi A.Ş.** (hereinafter referred to as 'Emek Elektrik' or 'the Company') was established in 1969 to production of transformers, capacitors, disconnectors and electromechanical equipment, testing, marketing and sales, and research and development to create new production areas. Emek Elektrik manufactures measurement transformers up to 525 kV and disconnectors up to 420 kV for the energy sector. The Company operates on an international scale in its factory in Ankara with an open area of 38,000 m<sup>2</sup> and a closed area of 11,000 m<sup>2</sup>. The shareholding structure of the Company has changed in line with the Public Disclosure Platform (PDP) dated 27.07.2023. According to the PDP statement, Özar Elektrik İnşaat Turizm Mühendislik Eğitim Yatırım İmalat A.Ş. has transferred 9,652,175 shares of Emek Elektrik to Kontrolmatik Teknoloji in exchange for 385,000 shares of Kontrolmatik Teknoloji Enerji ve Mühendislik A.Ş.

The Company's shares have been traded on Borsa Istanbul (BIST) since 1998 under the ticker symbol EMKEL. 74.19% of the Company's shares were publicly traded as of 3Q2024.

The Company has totally 176 employees in 3Q2024 (FYE2023: 177).

Key rating drivers, as strengths and constraints, are provided below.

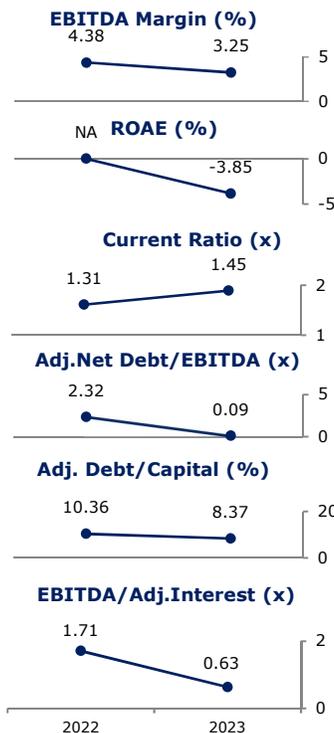
### Strengths

- Recovery in profitability margins in 3Q2024 compared to the previous year's same period, despite slight shrinkage in EBITDA margin in 2023,
- Sound leverage metrics combined with low financial indebtedness level in analysed periods,
- Sustained high equity level during the examined periods, mainly fed by retained earnings and capital adjustment differences as of 3Q2024,
- Satisfactory liquidity metrics together with positive net working capital during the review periods,
- Foreign currency revenue generation ability providing natural hedge in a certain extent,
- Compliance with Corporate Governance Practices and quality standards as a publicly listed company and long-lasting experience in the sector.

### Constraints

- Low level of interest coverage ratios in 2023 albeit slight recovery in 3Q2024,
- Decreasing trend in sales volume in last three years, despite the revenue growth in 3Q2024,
- Net loss in 2022 and 2023 due to high level of OPEX, financing expenses and monetary loss arising from inflation accounting,
- High level of impaired receivables suppressing receivable quality,
- Customer concentration risk,
- Long cash conversion cycle due to the nature of the business,
- Negative FOCF metrics in 2023 and 3Q2024, mainly attributable to pressured CFO due to working capital need,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been assigned as 'BBB+ (tr)'. The Company's extensive experience in the sector and know-how, business environment, improvement in EBITDA generation capacity and other profitability indicators in 3Q2024, despite slight deterioration in 2023, sustained equity level, reasonable leverage metrics, foreign currency revenue generation thanks to wide export geography as well as low level interest coverage ratio, decreasing trend in sales volume, high impaired receivables, customer concentration risk and cash conversion cycle considered long by sector are important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's revenue and profitability performance, sales volume, indebtedness level, cash flow and liquidity metrics, coverage and leverage indicators, receivable quality and the collection on time, equity level and the outlook of the electrical equipment industry will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.



NA: Not Applicable